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No. 94-1051

(2)

IN THE
Supreme Court of the United States
OCTOBER TERM, 1994

PAPETTI'S HYGRADE EGG PRODUCTS, INC.,
Petitioner,

v.

MICHAEL FOODS, INC. and
NORTH CAROLINA STATE UNIVERSITY,
Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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RESPONDENTS BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

Respondents Michael Foods, Inc. and North Carolina State University object to Papetti's statement of the questions presented as being argumentative and without foundation in the underlying record. Respondents restate the only question presented by the Petitioner as follows:

1. Whether the District Court and the Federal Circuit correctly held that in responding to Michael's properly supported Motion for Summary Judgment, Papetti's did not satisfy its burden under Rule 56, Fed.R.Civ.P., to establish the existence of every element of its patent invalidity and unenforceability defenses by clear and convincing evidence, defenses on which Papetti's would have borne the burden of proof at trial?

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RESPONDENTS BRIEF IN OPPOSITION

Respondents Michael Foods, Inc. and North Carolina State University (collectively "Michael" [1]) respectfully oppose Petitioner Papetti's Hygrade Egg Products, Inc. ("Papetti's) Petition for a Writ of Certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit.

OPINIONS BELOW

Michael concurs in Papetti's identification of the opinions of the District Court and the Federal Circuit that underlie its Petition, with the minor exception that Papetti's has incorrectly described the opinion of the Fed-

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[1] Pursuant to this Court's Rule 29.1, Michael Foods, Inc. and its affiliate, North Star Universal, Inc., have issued shares to the public. North Carolina State University is a public university operated by the State of North Carolina.

eral Circuit as "unpublished." The Federal Circuit's decision was designated by that Court as "not citable as precedent" under Federal Circuit Rule 47.6, however, such opinions are routinely published and disseminated. *See e.g., Michael Foods, Inc. and North Carolina State University v. Papetti's Hygrade Egg Products, Inc.*, 1994 U.S. App. LEXIS 18323.

STATEMENT OF THE CASE

The issue currently before this Court is whether there "are special and important reasons" for this Court to review the Federal Circuit's July 20, 1994 decision in this matter. Specifically, Papetti's has suggested that, in affirming the District Court's judgment in favor of Michael on Papetti's defenses of patent invalidity and unenforceability, the Federal Circuit has "so far departed from the accepted and usual course of judicial proceedings, or sanctioned such a departure by a lower court, as to call for an exercise of this Court's power of supervision." *See* Petition at 10, n.8 (*citing* Sup.Ct.R. 10.1(a)). As shown below, Papetti's Petition is unsupported by fact, law or reason, and respectfully should be denied.

A. The District Court Proceedings

Michael sued Papetti's for infringement of four separate patents related to processes for producing extended shelf life liquid whole egg products. The patents are assigned to North Carolina State University and exclusively licensed to Michael Foods, Inc.

The District Court entered a judgment that was final except for an accounting based upon two decisions which disposed of the liability issues before that Court. The first decision, dated November 10, 1992, granted Michael's Motion for Summary Judgment of Infringement. The second decision, dated July 12, 1993, granted Michael's Motion for Summary Judgment on [Papetti's] Defenses of patent invalidity and unenforceability.

Both of Michael's motions for summary judgment were made following at least two years of exhaustive discovery. Thus, there is no dispute that Papetti's was afforded ample discovery with which to respond to Michael's Motions. Indeed, Papetti's also moved for summary judgment on the issues of noninfringement, invalidity and materiality.[2]

With respect to the issue of infringement, the District Court determined—and Papetti's agreed—that the only issues separating the parties were legal issues, *to wit*, issues of claim interpretation which could properly be decided by the Court on summary judgment. As the Federal Circuit would later note, Papetti's even "urged that summary judgment is *precisely* what is in order 'because the only dispute is one of claim interpretation which is 'a question of law for the [c]ourt to decide.'' " (Pet. App. p. 4a; emphasis in original). In a detailed opinion, the District Court analyzed the issues and held that Michael was entitled to judgment as a matter of law on the issue of infringement.

Contrary to the statements made by Papetti's in its Petition, Michael's Motion for Summary Judgment on [Papetti's] Defenses of patent invalidity and unenforceability was not a motion "to dismiss" and was not "principally" based on actions taken by the Patent Office with respect to Michael's application to reissue one of the patents-in-suit. Rather, Michael requested a dispositive judgment under Rule 56, Fed.R.Civ.P. and based its motion on Papetti's inability to establish the existence of the elements essential to Papetti's respective defenses by clear and convincing evidence. *See Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986). Michael did refer to the decision of the Patent Office and to the decision of another District Court in other litigation on the same

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[2] Papetti's Motion regarding materiality related to one of elements of its unenforceability defense. Contrary to Papetti's Petition, the District Court did not "refuse" to rule on this Motion, but denied it, ruling that the subject references were not material. (Pet. App. p. 52a, n.18).

issues in support of its Motion; but the issue placed before the District Court by Michael's Motion was (1) whether Michael had shown the absence of any genuine issue of material fact and that it was entitled to judgment as a matter of law and, if so, (2) whether Papetti's had established the existence of the elements essential to its respective defenses by clear and convincing evidence.

The Federal Circuit succinctly summarized the District Court's holding with respect to Michael's Motion for Summary Judgment on [Papetti's] Defenses:

> The district court held that the record evidence was insufficient to establish by clear and convincing evidence that the claims at issue were invalid. Respecting the issue of obviousness, the court concluded that the record could not support a finding that the claimed invention would have been obvious. In so holding, the court determined that Michael's evidence relating to the secondary considerations of nonobviousness was "compelling" and essentially uncontroverted. On the issue of anticipation, the court concluded that Papetti failed to offer evidence sufficient to establish that each element of the claimed invention was disclosed in a single prior art reference. The court further determined that the record was devoid of evidence creating a genuine dispute regarding the inherency of the so-called "turbulence" limitation. Finally, the district court concluded that the record evidence was insufficient to establish that Michael had engaged in inequitable conduct before the PTO.

(Pet. App. p. 5a). In a footnote appended to the above quote, the Federal Circuit also stated:

> We note that in a prior reissue proceeding, the PTO upheld the claims at issue as nonobvious over the same prior art presently relied upon by Papetti. The PTO determined that the claimed process was "neither disclosed nor suggested in the prior art and [that] the secondary considerations outweigh any *prima facie* case." Moreover, the PTO concluded

> that the claimed invention was "clearly a breakthrough" and a "revolutionary discovery [which] is exactly the type worthy of patent protection."

(Pet. App. p. 5a, n.3).

B. The Appellate Proceedings

The Federal Circuit considered each of Papetti's allegations of error and unanimously held after a *de novo* review of the record, that "[b]ecause the district court correctly determined that there were no genuine issues of material fact and that Michael was entitled to judgment as a matter of law, we *affirm*." (Pet. App. p. 2a). In so doing, the Federal Circuit expressly acknowledged that:

> Summary judgment is appropriate "if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." Fed.R.Civ.P. 56(c). We review the district court's entry of summary judgment *de novo*, determining whether, based on the record before us, there is any genuine issue of material fact and whether Michael is entitled to judgment as a matter of law. In so doing, we view the evidence in a light most favorable to Papetti, the nonmoving party, and draw all reasonable inferences in its favor.

(Pet. App. p. 3a, citation omitted).

Regarding specifically Papetti's defenses of patent invalidity and unenforceability, the Federal Circuit noted Papetti's failure "to recognize that factual issues must be 'genuine' to make summary judgment inappropriate," stating that:

> A genuine issue exists only "if the evidence is such that a reasonable jury *could* return a verdict for the nonmoving party." [*citing Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986)] "[I]t is in-

> cumbent on the nonmovant in a summary judgment proceeding to proffer countering evidence sufficient to create a genuine factual dispute." *Octocom Sys., Inc. v. Houston Computer Serv., Inc.*, 918 F.2d 937, 940, 16 USPQ2d 1783, 1786 (Fed.Cir. 1990). We agree with the district court that Papetti failed to carry its burden.

(Pet. App. pp. 4a-5a, emphasis added).

The Federal Circuit also noted, quoting from *Celotex*, 477 U.S. at 322, that:

> "[T]he plain language of Rule 56(c) mandates the entry of summary judgment . . . against a party who fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial."

(Pet. App. p. 5a). Finally, the Federal Circuit stated:

> We have reviewed the record and conclude that the district court properly determined that Papetti failed to make a showing sufficient to sustain its burden of establishing by clear and convincing evidence that the patents were either invalid or unenforceable for inequitable conduct. The court thus correctly concluded that there were no genuine disputes as to facts material to those issues and that Michael was entitled to judgment as a matter of law.

(Pet. App. pp. 5a-6a).

On September 15, 1994, the Federal Circuit denied Papetti's combined petition for rehearing and suggestion for rehearing *in banc*. (Pet. App. p. 7a).

C. Further Patent Office Proceedings

In support of its Petition, Papetti's relies on a recent, *non-final* office action of the Patent Office with respect to one of the patents-in-suit. The office action to which Papetti's refers was rendered *after* the Federal Circuit's

July 20, 1994 decision and thus was neither before the District Court nor the Federal Circuit when the decisions which underlie Papetti's Petition were rendered. The recent office action of the Patent Office is therefore not part of the record before this Court and, consistent with this Court's precedent, should not be considered in addressing Papetti's Petition. *See Witters v. Washington Dept. of Serv. For The Blind*, 474 U.S. 481, 486 n.3 (1986); *Russell v. Southard*, 12 How. 139, 159, 53 U.S. 139, 159 (1851); *see also New Haven Inclusion Cases*, 399 U.S. 392, 450, n.66 (1970). For the Court's information, the office action to which Papetti's refers is currently before the District Court pursuant to Rule 60(b), Fed.R.Civ.P. Consideration of that opinion by this Court is not ripe at the present time.

SUMMARY OF ARGUMENT

Papetti's entire Petition overlooks the context of the judgment entered against it. The District Court's grant of summary judgment did not occur until there had already been well over two years of discovery—indeed, until discovery on the liability issues that the judgment addresses was complete. The District Court had previously denied summary judgment on some of these issues because "it believed at that time that issues of material fact existed." (Pet. App. p. 35a, n.2). Nevertheless, given the extensive discovery that had been taken and the degree of experience the district court had obtained with respect to the issues in question, the court was quite right to dispose of the case as it did. After more than two years of discovery and two different opportunities to brief the summary judgment issues, Papetti's clearly should have been required to come forward with evidence as to the level of ordinary skill in the art, evidence as to the inherency of "turbulence" in the prior art, evidence as to the suggestion in the art of a "preselection methodology" and at least a *prima facie* showing of inequitable conduct. It failed on each of these fronts.

There is nothing inherently wrong with a requirement that patent litigants be treated no differently from other litigants—that they be required, in response to a motion for summary judgment at the end of discovery, to "come forward" with evidence sufficient to create a genuine issue of material fact and sufficient to account for the applicable burden of proof. Because Papetti's failed to present *any* evidence on several of the issues as to which it had the burden, and because the other evidence that Papetti's did offer was inadequate as a matter of law, summary judgment was clearly appropriate. *Anderson*, 477 U.S. at 254; *Celotex*, 477 U.S. at 322; *Matsushita Elec. Indus. Co. Ltd. v. Zenith Radio Corp.*, 475 U.S. 574, 586 (1986).

REASONS FOR DENYING PAPETTI'S PETITION

This Petition arises out of an unremarkable grant of summary judgment, which after *de novo* review, was unanimously affirmed by the Federal Circuit in a well-reasoned opinion that is "not citable as precedent" in accord with Federal Circuit Rule 47.6.[3] (Pet. App. p. 64a). In an effort to construct questions worthy of review in this Court, Papetti's sensationalizes its plight by seizing upon selective and incomplete quotations from the opinions below, neither of which support Papetti's arguments concerning the burden of proof or its "doomsday" predictions about the import of this case. As shown herein, Papetti's half-hearted response to Michael's Motions at the end of discovery was replete with evidentiary voids. As a result, the District Court and the Federal Circuit ruled

[3] Similar to at least some, if not all, of its sister Courts of Appeal, the Federal Circuit has adopted Federal Circuit Rule 47.6, to allow it to more expeditiously handle its overall case load. Rule 47.6 allows the Federal Circuit to dispose of cases that do not add "significantly to the body of law" without the burden of having to prepare a full opinion that would accurately explain the Court's decision. (Pet. App. p. 64a). Notwithstanding use of Rule 47.6, the Court in this case rendered a six-page opinion in resolving Papetti's appeal. (Pet. App. pp. 1a-6a).

in the only manner allowed by Rule 56, Fed.R.Civ.P. and the applicable precedent of this Court. Papetti's has had multiple chances to prevail on its arguments and it has failed to do so repeatedly. Papetti's arguments have not gained strength through repetition; Papetti's had its "day in court" and it lost.

Although not stated succinctly in Papetti's Petition, Papetti's seeks review of only a portion of the Federal Circuit's decision. That is, even though the lower courts' decisions regarding the infringement issue are discussed in the background portions of Papetti's Petition, Papetti's arguments to this Court are focused on only its defenses of patent invalidity and unenforceability. Papetti's does not challenge the Federal Circuit's infringement decision or the claim interpretation decisions subsumed therein.

I. THE DISTRICT COURT AND THE FEDERAL CIRCUIT CORRECTLY AND PROPERLY APPLIED RULE 56, FED.R.CIV.P., AND THE CONTROLLING PRECEDENT

As indicated by the above-quoted portions of the Federal Circuit's decision and a review of the District Court's well-reasoned decisions, both lower courts correctly and properly applied Rule 56(c), Fed.R.Civ.P., and the controlling precedent of this Court in disposing of Michael's Motions for Summary Judgment. Contrary to the inaccurate suggestions in Papetti's Petition, neither lower court required Papetti's to meet its ultimate trial burden of proof in order to defeat Michael's Motion. Rather, both courts, as required by this Court's decisions in *Anderson*, 477 U.S. at 254, and *Celotex*, 477 U.S. at 324, ruled that in response to Michael's properly supported Motion, Papetti's had failed to come forward with evidence sufficient to create a "genuine issue of material fact." *Celotex*, 477 U.S. at 322 (summary judgment *mandated* where nonmovant fails "to *establish* the existence of an element essential to [its] case, and on which

[it] will bear the burden of proof at trial" (emphasis added)).

It is beyond dispute that Papetti's bears the burden of proving by clear and convincing evidence that Michael's patents were either invalid or unenforceable. 35 U.S.C. § 282; *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1358-60 (Fed.Cir. 1984). Consequently, in order to defeat Michael's Motion, Papetti's was obliged to come forward with clear and convincing evidence that established a *prima facie* case that the patents were either invalid or unenforceable. *Avia Group Int'l, Inc. v. L.A. Gear Calif., Inc.*, 853 F.2d 1557, 1560 (Fed.Cir. 1988). Because Papetti's failed to meet this basic burden and because Michael's Motion was otherwise properly supported, the District Court and the Federal Circuit correctly granted summary judgment in favor of Michael.

Papetti's suggestion that the lower courts erred by referring in the context of a summary judgment proceeding to the evidentiary standard of proof associated with Papetti's defenses is frivolous. As this Court expressly held, reference to the appropriate standard of proof is not only proper, but required:

> Thus, in ruling on a motion for summary judgment, the judge *must view the evidence presented through the prism of the substantive evidentiary burden.* This conclusion is *mandated* by the nature of this determination. *The question here is whether a jury could reasonably find either that the plaintiff proved his case by the quality and quantity of evidence required by the governing law or that he did not.* Whether a jury could reasonably find for either party, however, cannot be defined except by the criteria governing what evidence would enable the jury to find for either the plaintiff or the defendant: It makes *no sense* to say that a jury could reasonably find for either party without some benchmark as to what standards govern its deliberations and within

> what boundaries its ultimate decision must fall, and these standards and boundaries are in fact provided by the applicable evidentiary standards.

Anderson, 477 U.S. at 254-55 (emphasis added).

Notwithstanding this clear "mandate" from Rule 56(c) and this Court—and this statement of the question posed by any summary judgment motion that mirrors almost exactly the questions phrased and answered by the lower courts in this case—Papetti's nevertheless strains to criticize the lower courts for doing precisely what this Court said each should have done. Papetti's statement that it was required to meet some "unwarranted new standard" is simply incorrect.

The same can be said for Papetti's argument about a supposed "intra-Circuit" conflict. The Federal Circuit, as is its charge, has taken the lead in resolving and stabilizing the nationwide administration of the patent laws. The Court has in place internal procedures to monitor both real and perceived conflicts in its jurisprudence and to solve them through appropriate *in banc* consideration. In that view, the Federal Circuit is presently considering no less than five cases before the *in banc* court. *Pall Corp. v. Micron Separations, Inc.*, Nos. 91-1393, 91-1394, 91-1409 (oral argument held May 4, 1994); *Markman v. Westview Instruments, Inc.*, No. 92-1049 (oral argument held May 4, 1994); *Rite-Hite Corp. v. Kelley Co., Inc.*, Nos. 92-1206, 92-1260 (oral argument held June 17, 1994); *Winstar Corp. v. United States*, No. 92-5164 (oral argument held February 10, 1994); *Hilton Davis Chemical Co. v. Warner-Jenkinson Co., Inc.*, No. 93-1088 (oral argument held March 9, 1994).

In the present case, no such conflict ("intra-Circuit" or otherwise) exists or could exist for several reasons. First, the decision is fully consistent with Rule 56, this Court's pertinent decisions and the previous decisions of the Federal Circuit. *See e.g., Anderson*, 477 U.S. at 254; *Celotex*, 477 U.S. at 324; *Avia Group*, 853 F.2d at 1560, 1565.

Second, the decision that Papetti's seeks review of is "not citable as precedent" and thus *by definition* cannot create a conflict,[4] even if it were inconsistent with previous Federal Circuit decisions, which it is not. And third, at Papetti's request, the *in banc* Federal Circuit considered whether its decision created the very conflict that Papetti's suggests and decided that it did not.[5] Papetti's claims to the contrary are simply incorrect.

II. EVEN ASSUMING THAT THE FEDERAL CIRCUIT APPLIED THE WRONG STANDARD, PAPETTI'S STILL FAILED TO MEET ITS BURDEN UNDER RULE 56, FED.R.CIV.P.

Papetti's states several times in its Petition that the lower courts required it to prove that the jury "would" find in its favor, rather than determining whether the jury "could" find for Papetti's on the evidence of record. To the contrary, the Federal Circuit enunciated the applicable standard in terms of what the jury "could" have found and on what the record "supported." (Pet. App. pp. 4a-5a). Nonetheless, Papetti's is wrong—as both lower courts held—in suggesting that the record includes evidence on which the jury "could" have found in favor of Papetti's.

Indeed, the record is lacking in several essential elements of Papetti's case. First, notwithstanding that the District Court had previously held that the patent claims

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[4] It is for this reason that the Federal Circuit informs litigants that a suggestion for rehearing *in banc* is rarely appropriate for nonprecedential decisions. (Pet. App. p. 63a).

[5] Papetti's suggestion that the Federal Circuit endeavors to make erroneous decisions and then to "shield its mistakes from scrutiny" by use of Rule 47.6 is wholly unsupported and, indeed, is so personal in nature that it leaves Michael's counsel mostly at a loss as to how to respond. Due to the belief that the Court will not give Papetti's suggestion in this regard even passing consideration, Michael will not dignify Papetti's remark further by detailed response.

required a certain "preselection methodology" to be employed,[6] Papetti's failed to provide *any* evidence to suggest that the alleged prior art disclosed the "preselection methodology" required by the claims. (Pet. App. p. 45a). Second, as stated by the Federal Circuit, "the record was devoid of evidence creating a genuine dispute regarding the inherency of the so-called 'turbulence' limitation" of the claims, which even Papetti's admitted was not expressly disclosed by the alleged prior art.[7] (Pet. App. pp. 5a, 39a-45a). Third, the District Court held that Papetti's "has submitted *no evidence* defining the level of ordinary skill in the art" regarding its obviousness defense, which evidence is required for any obviousness analysis under the applicable law of this Court. *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966). (Pet. App. p. 45a, n.10, emphasis added). And fourth, the District Court noted that Papetti's "does not dispute [Michael's] compelling objective evidence of nonobviousness, *evidence so strong that it could withstand much more pertinent prior art than relied on by Papetti's*, if such existed." (Pet. App. p. 48a, emphasis added).

The District Court also held, and the Federal Circuit agreed, that Papetti's had failed to show even "a threshold level of intent to mislead or deceive the PTO," which is a necessary element of any unenforceability claim. (Pet. App. p. 52a); *Kingsdown Medical Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 876 (Fed. Cir. 1988) (*in banc*), *cert. denied*, 490 U.S. 1067 (1989). Without proof of an intent to mislead or deceive, the patents cannot be held unenforceable for inequitable conduct as a matter of law. *Id.*

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[6] Papetti's has not challenged the lower courts' determinations that the claims include this "preselection methodology" in its Petition. This determination is therefore the law of the case.

[7] Papetti's suggestion that one of Michael's inventors admitted that "turbulence" was inherent in the prior art is wrong and contrary to the conclusions of both lower courts. Rather, Michael's witness testified that the alleged prior art systems were "designed" to have turbulence, not that it would inevitably result.

Based on these failures by Papetti's, the Federal Circuit was clearly correct when it held, after a *de novo* review of the record, that:

> Because the district court correctly determined that there were no genuine issues of material fact and that Michael was entitled to judgment as a matter of law, we *affirm*.

(Pet. App. p. 2a).

Absent evidence suggesting the existence of these essential elements of Papetti's respective defenses, "there can be 'no genuine issue as to any material fact,' since a complete failure of proof concerning an essential element of the nonmoving party's case *necessarily renders all other facts immaterial.*" *Celotex*, 477 U.S. at 323 (emphasis added). Papetti's addresses its failure to prove each of the essential elements of its case—and thus the crux of the issue before this Court—only in a footnote buried on page 14 of its Petition. According to Papetti's, "[a] finding that Papetti's had 'a complete failure of proof' on these issues would be clearly erroneous, if not plain error." (Pet. p. 14, n.10). Not only does this statement by Papetti's disregard the difference between a "finding" and a "holding" and the applicable standards of review for each (not to mention that "clearly erroneous" is a higher standard than "plain error"), it disregards the holdings of the District Court and the Federal Circuit that such a "complete failure of proof" *had occurred*. By trivializing this discussion in a footnote and by failing to recognize the holdings of the lower courts, Papetti's ignores the real issue before this Court and, indeed, the true nature of the loss.

Consequently, the issue of whether Papetti's tendered evidence on *some* elements of its defenses is moot; whether it did (or did not, as the lower courts unanimously held) is "immaterial." *Celotex*, 477 U.S. at 323. On this record, the courts below could decide this matter in only one way—against Papetti's.

Papetti's emphasizes that it was entitled to have the evidence viewed in the light most favorable to it and to the benefit of all reasonable inferences. But both courts gave Papetti's precisely these benefits and more. For example, the District Court repeatedly assumed for purposes of its opinion that the alleged prior art items asserted by Papetti's were in fact prior art even though the issue was disputed by Michael. (Pet. App. p. 40a, n.6). The Federal Circuit was even more explicit:

> We review the district court's entry of summary judgment *de novo*, determining whether, based on the record before us, there is any genuine issue of material fact and whether Michael is entitled to judgment as a matter of law. In so doing, *we view the evidence in a light most favorable to Papetti, the non-moving party, and draw all reasonable inferences in its favor.*

(Pet. App. p. 3a, emphasis added, citations omitted). On the record below, it is clear that both courts afforded Papetti's every reasonable inference.

CONCLUSION

For all the foregoing reasons, Papetti's Petition should be denied.

Respectfully submitted,

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